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UNCLAS SECTION 01 OF 02 ISTANBUL 000527

SIPDIS

STATE FOR EUR/SE AND EB/IFD
TREASURY FOR INTERNATIONAL AFFAIRS - CPLANTIER

SENSITIVE

E.O. 12958: N/A

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SUBJECT: SUNNY SKIES OVER ISTANBUL TOURISM INDUSTRY

REF: ANKARA 1460

1. (U) Summary: There may be overcast skies in the tourism industry elsewhere in Turkey, but in Istanbul the sun is shining, according to two leading figures in the industry. The Ministry of Tourism calculates 4.9 million tourists visited Istanbul in 2005, 23 of a total 1.1 million visitors to Turkey. Istanbul's convention center is fully booked through 2009 and has reservation through 2012. A second convention center will open in July 2006 with four times the capacity of the current one. Seven new five-star hotels will also come on the market within the next two years, bringing the total to 33. These developments reflect an expected growth in Istanbul tourism of 15% for 2006. Although Istanbul's tourism industry has successfully weathered the Avian Influenza and recent terrorism shocks, with tourism a growing source of revenue for the city. Nevertheless, recent bombings and unrest in Istanbul and elsewhere could, if unabated, threaten the vibrancy of Istanbul's tourism industry. End Summary.

2. (SBU) Timur Bayindir, President of the Turkish Hotel Association, expressed confidence in March 29 in the hotel-tourism business in Istanbul, but was skeptical of the government's role. In particular, he criticized a new 3% 'habitation tax' for hotels that is being contemplated. If the government does not interfere, he expects the sector to grow for the next 10 years. Within two years important additions to tourism infrastructure will take place: seven five-star hotels will boost capacity by 15% (adding 15,000 beds to current 100,000 hotel beds).

3. (U) While there may be no national increase in 2006 over 2005 (reftel), Bayindir estimates that tourism in Istanbul will grow by 15%. Similarly, in 2005 Istanbul tourism's 30% increase eclipsed the national increase of 21%. So far, Istanbul's tourism sector has successfully weathered several recent small-scale terrorism incidents, including bombings, that have occurred in the city. He concedes, however, that as tourists are by their nature peace-seekers, violent headlines about Turkey - even if the violence is far from Istanbul - may over time dissuade them from visiting.

4. (U) Orhan Sanus, General Manager of the main Convention Center (Lutfi Kirdar), was also optimistic on March 31 about Istanbul tourism. The convention center he manages is fully booked through 2009, and has reservations through 2012 (he explained that large-scale international conferences need a long lead-time); to date, they have not changed their plans as a result of issues like Avian Influenza or recent terrorist incidents.

5. (U) A second convention center in Istanbul will boost capacity starting in July 2006, adding space for 5,000-6,000 attendees to the current 1,500 capacity. This added supply, coupled with the new hotel infrastructure, will tap into international demand for convention-center space. Of the 4,200 international conferences in the world each year, 30 are held in the current convention center - Sanus believes Istanbul should be able to host 100 each year after the new convention center opens.

6. (U) Istanbul, moreover, seems to have increasing success attracting the highest-profile conferences, such as the 2005 Asian Development Bank annual meeting. Turkish Treasury officials told Embassy Ankara that Istanbul is also on a short list to host the 2009 annual meeting of the IMF. Separately, it has just been given the nod to host the 2009 World Water Forum. A U.S. business group planning to bring 70 executives in November 2006 informed Embassy Ankara that they had trouble finding rooms at one of the major hotels, with several already booked. To intensify this trend, Sanus believes Turkey needs to better promote itself internationally: "it is a question of telling the world who we are, what is here, and what sort of infrastructure we have."

7. (SBU) Comment: Istanbul tourism's success comes against a backdrop of declining numbers for the country nationally. Our contacts are quick to distinguish the mass-market tourism that characterizes the south coast from the higher

value-added and "cultural" tourism that Istanbul attracts (e.g. 40,000 Greek visitors are expected over Easter this year to visit the Ecumenical Patriarchate, the key spiritual center of world Orthodoxy). Spending per capita, our contacts estimate, is much higher for Istanbul visitors than the \$700 average for Turkey as a whole, and is also much more widely distributed through the economy than is the income stemming from all-inclusive resorts in Antalya and elsewhere. End Comment.

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